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NATIONAL BANK OF ETHIOPIA

PRESS RELEASE

FOREIGN EXCHANGE MARKET MEASURES

20 May 2025 | Addis Ababa, Ethiopia

The National Bank of Ethiopia is today introducing several reform measures to bring further improvements in the functioning of the foreign exchange market. These measures provide greater flexibility for importers and travelers while ensuring that the pricing practices in Ethiopia's foreign exchange markets are in line with global standards. These measures also build upon recent initiatives to improve market conditions, such as the launch of bi-weekly fx auctions that are now supplying additional foreign exchange funds to the banking system.

It is to be recalled that since the launch of the new foreign exchange system in July 2024, substantial improvements are being registered in the foreign exchange market as well as in Ethiopia's broader the balance of payments position. The FX supply response from the exchange rate reforms has been significant, with goods exports up more than 100%, strong increases seen in services and remittances, as well as much improved capital inflows from both private and official sources. These developments have allowed FX reserves to reach record highs at commercial banks and at the NBE. FX availability has improved as a result, enabling businesses to secure critical inputs, raise capacity utilization, and expand operations.

The reforms being introduced today build upon the positive trends seen so far and seek to further improve operating conditions in the foreign exchange market. Key elements of the reform include:

- 1. Higher limits for importer advance payments:** To help address a long-standing constraint that was limiting the amount of fx funds importers could provide upfront to their foreign suppliers, NBE is raising the so-called 'advance limit' placed on importers. Based on practices in peer countries and given the need to update a limit that had remained unchanged for many years, the NBE has raised the import advance limit from USD 5,000 to USD 50,000 per import transaction.
- 2. Higher fx cash limits for travelers:** To provide further flexibility to travelers, the current fx limits for Ethiopians traveling abroad is also being revised upwards. The new limit allows fx cash purchases of up to \$10,000 for personal travelers and up to \$15,000 for business travelers; these allowances may be taken by the customer in cash form or via a debit card. Moreover, individuals with foreign exchange accounts can also utilize up to 20% (previously 10%) of their fx balance via a debit card.

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- 3. Rationalization and simplification of bank fx fees:** To bring Ethiopia's foreign exchange related fees closer in line with global norms, NBE is also advising banks to ensure competitive, transparent, and simplified pricing for their fx services. Accordingly, effective May 26, 2025, all bank fees and charges related to the purchase of foreign exchange—for import of goods, service payments, or cash note purchases—shall not exceed 4 percent. Moreover, to ensure that fx fees are kept transparent and simplified for consumers, NBE is instructing banks to avoid the addition of various supplementary charges for minor, associated services. Finally, starting in June 2025, the FX related fees of all banks will be transparently disclosed to the public on a regular basis on the NBE website.

The NBE is confident that the above improvements will help ensure an active, competitive, and steadily growing foreign exchange market that satisfactorily meets the needs of Ethiopia's banking consumers and private sector.